BENJAMIN J. CAYETANO



STATE OF HAWAII DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119 HONOLULU, HAWAII 96810-0119

FEB 27 2001

COMPTROLLER
MARY ALICE EVANS
DEPUTY COMPTROLLER

RAYMOND H. SATO

COMPTROLLER'S MEMORANDUM NO. 2001-8

To:

Heads of Departments

Subject:

Financial Statement Reporting

Comptroller's Memorandum No. 2000-13 established the State's policy that all departments that issue audited financial statements are to conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, except for the Employees' Retirement System and the University of Hawaii.

In order to assist departments in the implementation of the new financial reporting standards that are mandated by GASB Statement No. 34, the following statewide policies have been established by the Department of Accounting and General Services (DAGS):

Financial Statements

Departments should prepare departmental-wide (government-wide) financial statements that consist of a statement of net assets and a statement of activities which should display information about the department as a whole. Assets and liabilities should be presented in the statement of net assets in the order of their relative liquidity in three categories: (1) invested in capital assets net of related debt; (2) restricted; and (3) unrestricted. At the departmental level, the statement of activities should be presented in a format that reports net (expense) revenue of its individual functions.

In addition, departmental financial statements should include "governmental fund" financial statements that consist of a balance sheet and a statement of revenues, expenses, and changes in fund balances. If applicable, "proprietary fund" statements presented should consist of a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows.

The department-wide (government-wide) financial statements should be preceded by management's discussion and analysis (MD&A). Departmental financial managers are knowledgeable about the transactions, events, and conditions that are reflected in the department's financial statements. MD&A provides financial managers with the opportunity to share their insights as to the department's financial performance for the year.

Heads of Departments Memo No. 2001-8 Page 2 FEB 27 2001

Certain other data should be presented by departments as "required supplementary information" (RSI). RSI's include budgetary comparison schedules and other types of data as required by previous GASB pronouncements.

Works of Art, Historical Treasures, or Similar Assets

Works of art, historical treasures, or similar assets should be recorded in accordance with generally accepted accounting principles (GAAP). Under GAAP, works of art are recorded at cost as of the date purchased. If the works of art, historical treasures, or similar assets were donated, they are recorded at fair market value as of the date of the gift. No depreciation is calculated on works of art, historical treasures, or similar assets. For reporting purposes, see attached matrix on the new statewide capitalization policy.

Capital Assets and Depreciation

Capital assets should be recorded in accordance with GAAP. Under GAAP, capital assets are recorded at cost as of the date purchased or date of installation. If the capital asset was donated, it is recorded at fair market value as of the date of the gift. Depreciation is calculated using the estimated useful life of the capital asset. For reporting purposes, see attached matrix on the new statewide capitalization policy.

All departments should be in compliance with the provisions of GASB Statement No. 34 by June 30, 2002. The attached time line should be followed in order to meet the compliance deadline.

Additional reporting policies may be issued as DAGS attempts to conform the State's Comprehensive Annual Financial Report to the new reporting standards.

Any questions regarding the above may be directed to our Accounting Division at 586-0600.

RAYMOND H. SA

'State Comptroller

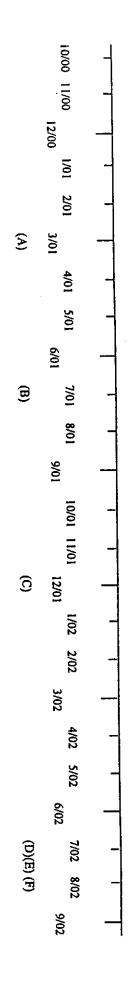
Attachments

STATE OF HAWAII NEW STATEWIDE CAPITALIZATION POLICY March 1, 2001

		Land		Мо	Furniture	AS
Works of Art	Buildings	Land Improvements	Land	Motor vehicles	Furniture and equipment	ASSET TYPE
Greater than \$5,000	Greater than \$100,000	Greater than \$100,000	All	Greater than \$5,000	Greater than \$5,000	CAPITALIZATION AMOUNT
No	Yes	Yes	No	Yes	Yes	DEPRECIATE YES OR NO
N/A	30 years	15 years	Α/N	5 years	₹.years	USEFUL LIFE Governmental Pro
N/A	5-100 years	5-100 years	A/N	5-10 years	1-25 years	IL LIFE Proprietary
N/A	None	None	N/A	None	None	SALVAGE VALUE

Note: This policy, which is effective for the fiscal year ending June 30, 2002, is for financial statement reporting purposes only and is applicable for governmental and proprietary funds.

State of Hawaii GASB Statement No. 34 Time Line



- (A) Begin to identify all capital assets and determine the cost of capital assets.
- $^{\odot}$ Identify all receivables, inventories, prepaid expenses, accounts payable, accrued expenses, other liabilities, deferred revenue, compensated absences, bonds and notes payable as of July 1, 2001.
- (C) All capital assets as of June 30, 2001 should be identified and recorded.
- € All capital asset additions and deletions should be identified and recorded for the fiscal year ending June 30, 2002.
- Ξ Identify all receivables, inventories, prepaid expenses, accounts payable, accrued expenses, other liabilities, deferred revenue, compensated absences, bonds and notes payable as of June 30, 2002.
- Depreciation expense should be calculated for the fiscal year ending June 30, 2002.

 Ξ